

**GEARY COUNTY EXTENSION COUNCIL
GEARY COUNTY, KANSAS**

**FINANCIAL STATEMENT
WITH INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2014

**GEARY COUNTY EXTENSION COUNCIL
GEARY COUNTY, KANSAS**

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INDEPENDENT AUDITORS' REPORT

To the Geary County Extension Council
Geary County, Kansas

We have audited the accompanying summary statement of regulatory basis receipts, expenditures, and unencumbered cash of the Geary County Extension Council (Council), as of and for the year ended December 31, 2014 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Council to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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American Institute of
Certified Public Accountants

Kansas Society of Certified
Public Accountants



The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of December 31, 2014, or changes in financial position and cash flows thereof for the year then ended.

Basis for Qualified Opinion

The *Net Pension Liability* disclosure in footnote 3 was obtained from the Kansas Public Employees Retirement System (KPERs) June 30, 2014 and 2013 audit report. We did not perform any audit procedures on the net pension liability for KPERs nor the Council's proportionate share of the net pension liability. Consequently, we were unable to determine whether any adjustments to those amounts were necessary.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Council as of December 31, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Regulatory-Required Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the summary statement of receipts, expenditures, and unencumbered cash (basic financial statement) as a whole. The individual fund schedule of regulatory basis receipts and expenditures-actual and budget (Schedule 1 as listed in the table of contents) is presented for analysis and is not a required part of the basic financial statement, however is required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

The 2013 Actual column presented in Schedule 1 is also presented for comparative analysis and is not a required part of the 2013 basic financial statement upon when we rendered an unqualified opinion on October 20, 2014. The 2013 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link: <http://www.da.ks.gov/ar/muniserv/>. Such 2013 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 basic financial statement. The 2013 comparative information was subjected to the auditing procedures applied in the audit of the 2013 basic financial statement or to the 2013 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 comparative information is fairly stated in all material respects in relation to the 2013 basic financial statement as a whole, on the basis of accounting described in Note 1.

Pottberg, Gassman & Hoffman, Chartered

Pottberg, Gassman & Hoffman, Chartered
Junction City, Kansas
November 6, 2015

**GEARY COUNTY EXTENSION COUNCIL
GEARY COUNTY, KANSAS**

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Canceled Encumbrances</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
General Fund	\$ 76,031	-	400,982	379,404	97,609	-	97,609
Total Reporting Entity	<u>\$ 76,031</u>	<u>-</u>	<u>400,982</u>	<u>379,404</u>	<u>97,609</u>	<u>-</u>	<u>97,609</u>

Composition of Cash:

Checking Account	<u>\$ 97,609</u>
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The notes to the financial statement are an integral part of this statement.

**GEARY COUNTY EXTENSION COUNCIL
GEARY COUNTY, KANAS**

**NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Geary County Extension Council (Council) is a municipal entity governed by an elected nine-member executive board. The Council provides services in such areas as agriculture, home economics, and 4-H Clubs, to all persons in the County. Geary County, Kansas annually provides significant subsidies to the Council. Kansas State University provides the Council non-cash receipts and disbursements related to salaries for operations of the Council. The non-cash receipts and disbursements are reflected as cash in and cash out for regulatory basis reporting purposes.

Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific regulations, restrictions or limitations.

The following fund was utilized in recording the financial activities of the Council for 2014:

Governmental Fund

General Fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Regulatory Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Council has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

Budgetary Information

Kansas Statute (K.S.A. 2-610) requires that the Extension Council file with the County Commissioners in the office of the County Clerk a proposed budget prepared in cooperation with the Director of Extension of Kansas State University College of Agriculture and Applied Science for the ensuing calendar year. The Council, after approval of the budget, shall make it a part of the regular county budget.

**GEARY COUNTY EXTENSION COUNCIL
GEARY COUNTY, KANAS**

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Salaries

Pursuant to the Memorandum of Understanding between Kansas State University College of Agriculture and Applied Science of the Geary County Extension Council, the University pays for a portion of extension agents' salaries, payroll taxes and benefits and bills the remainder to the Council on a monthly basis. The extension agents are considered employees of the University for all payroll reporting purposes.

The Council prepares monthly financial statements and submits them to the University for their review. The monthly statements report the total extension agent salaries as an expenditure and includes the portion paid by the University as a receipt titled KSU salaries. The value of the non-cash KSU salaries for 2014 is \$51,398.

Date of Management's Review

The Council evaluated subsequent events through November 6, 2015, the date on which the financial statement was available to be issued.

2. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Council. The statute requires banks eligible to hold the Council's funds have a main or branch bank in the county in which the Council is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Council has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Council's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Council has no investment policy that would further limit its investment choices. The Council had no investments in 2014.

Concentration of credit risk. State statutes place no limit on the amount the Council may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. State statutes require the Council's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Council has no designated "peak periods." All deposits were legally secured at December 31, 2014.

At December 31, 2014, the Council's carrying amount of deposits was \$97,609 and the bank balance was \$132,132. The bank balance was held by one bank resulting in a concentration of credit risk. The entire bank balance was covered by federal depository insurance.

**GEARY COUNTY EXTENSION COUNCIL
GEARY COUNTY, KANAS**

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2014

3. DEFINED BENEFIT PENSION PLAN

Plan description. The Geary County Extension Council contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-419 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 5% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

Net Pension Liability. The total pension liability for KPERS was determined by an actuarial valuation as of December 31, 2013, which was rolled forward to June 30, 2014. As of June 30, 2014 the net pension liability for KPERS was \$8,291,794,910. KPERS has determined the Council's proportionate share of the net pension liability is \$43,509 as of June 30, 2014. The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kpers.org or can be obtained as described in the first paragraph above.

4. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Compensated Absences

The Council's policy regarding vacation leave allows employees to accumulate vacation time based on the years of continuous service as follows:

<u>Years of Continuous Service</u>	<u>Vacation Days Accrued</u>	<u>Maximum Accrual</u>
0 to 3	1 day / mo.	12
4 to 8	1.25 days / mo.	15
Over 8	1.50 day / mo.	18

Vacation leave is earned by month. Upon termination of employment, an employee is entitled to pay for unused accrued vacation time.

The Council's policy regarding sick leave allows employees to earn leave at the rate of one day per month with a maximum accumulation of 60 days. Upon retirement, an employee is entitled to 1/3 of sick leave earned (maximum of 20 days). Upon resignation, an employee will forfeit all annual sick leave with no compensation given for leave time earned.

The Council has estimated the dollar amount of accumulated vacation for all employees at December 31, 2014 of \$2,802 and accrued sick leave as \$0.

**GEARY COUNTY EXTENSION COUNCIL
GEARY COUNTY, KANAS**

**NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2014**

4. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (CONTINUED)

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

5. RELATED PARTY TRANSACTIONS

The Council was apportioned \$297,902 by Geary County, Kansas for the year ended December 31, 2014. The County also provides the Council with rent-free use of the building for its operations.

6. RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To insure against risk of these types of losses, the Council has purchased commercial insurance coverage from the EMC Insurance and Cardinal Insurance Companies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

**GEARY COUNTY EXTENSION COUNCIL
GEARY COUNTY, KANSAS**

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2013)**

<u>GENERAL FUND</u>	2013	2014		Variance - Over (Under)
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Receipts:				
County Tax Appropriation	292,402	297,902	297,902	-
Kansas State University (Salaries)	44,898	51,398	50,648	750
Education Services Reimbursements	25,827	50,278	30,000	20,278
Interest and Miscellaneous Income	915	1,404	500	904
Capital Outlay	-	-	10,000	(10,000)
Total Receipts	<u>364,042</u>	<u>400,982</u>	<u>389,050</u>	<u>11,932</u>
Expenditures:				
Salaries	203,998	228,655	233,700	(5,045)
Employer's Contribution	53,228	52,803	65,500	(12,697)
Travel	6,976	5,773	7,500	(1,727)
Printing, Auditing, and Bond	5,755	4,891	5,000	(109)
Telephone	4,185	3,900	4,000	(100)
Supplies, Stationary, and Postage	6,572	8,141	8,500	(359)
Equipment, Auto Exchange	25,329	13,303	8,000	5,303
Subsistence	4,075	1,328	4,500	(3,172)
Miscellaneous	9,949	12,794	12,000	794
Educational Services Supplies	25,268	43,015	30,000	13,015
Rent, Heating, and Lighting	354	517	350	167
Capital Outlay	-	4,284	10,000	(5,716)
Total Expenditures	<u>345,689</u>	<u>379,404</u>	<u>389,050</u>	<u>(9,646)</u>
Receipts Over (Under) Expenditures	18,353	21,578		
Unencumbered Cash, January 1	<u>57,678</u>	<u>76,031</u>		
Unencumbered Cash, December 31	<u>\$ 76,031</u>	<u>97,609</u>		